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20 September 1963

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# CENTRAL INTELLIGENCE BULLETIN



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West Germany: (Chancellor-designate Erhard and Foreign Minister Schroeder have indicated that Bonn will not oppose an East-West treaty on observation posts, if such an agreement does not make the status quo more rigid.)

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(This attitude appears to constitute a slight relaxation in German insistence that steps toward reducing tensions be accompanied by progress toward German reunification. In Bonn's view, however, observation posts must not be confined to German territory. Also, the Germans say, great care would have to be exercised so as not to enhance the status of the East German regime.)

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Argentina: (There is increasing pressure for the annulment of Argentina's petroleum contracts with American companies and cancellation of its Investment Guarantee Agreement (IGA) with the US.)

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(The American Embassy reports that even nationalist elements within President-elect Illia's own party, in addition to Peronists and Communists, are trying to harden the incoming government's position on these highly emotional issues. They are hitting hard on the themes that the contracts are corrupt and that the IGA is an insult to Argentine sovereignty. Also, some party leaders are telling Illia that he cannot go back on his campaign pledges without being considered "another Frondizi.")

(Thus far, Illia and a number of his closest advisers have indicated an intention to move cautiously. On the oil contracts, for example, Illia has suggested that the government and the oil companies negotiate new working arrangements prior to his taking any action to annul existing contracts.)

(The impact of the extremists' pressure, however, is reflected in a decline in the stock exchange and the peso exchange rate.)

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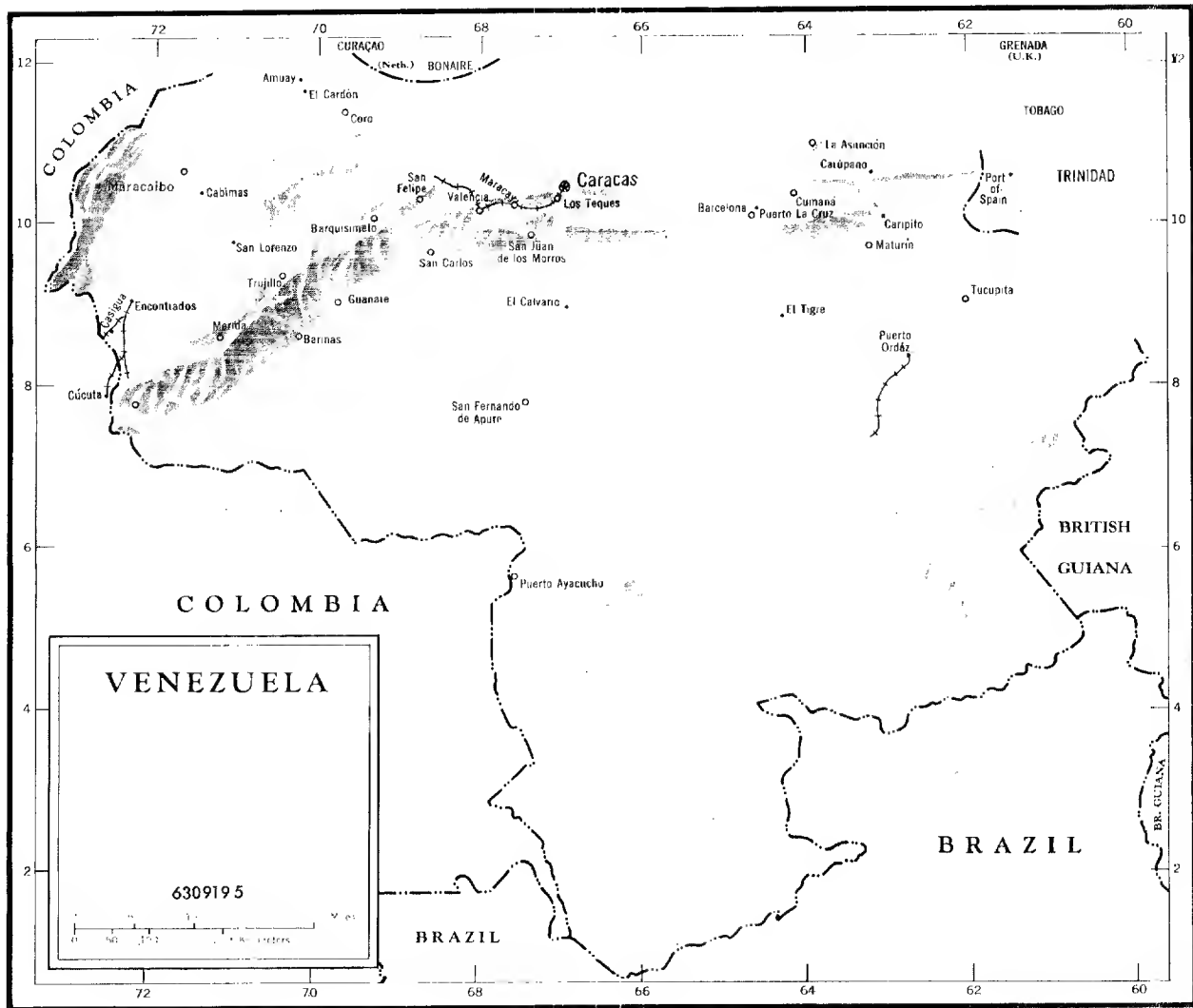
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Venezuela: US-owned businesses continue to suffer extensive damage from the stepped-up sabotage campaign of the Communist-dominated terrorists, and there probably is more to come.

Arsonists of the Armed Forces of National Liberation (FALN) burned a Dupont paint plant in Caracas on 19 September. Three days before, the FALN attacked the Otis Elevator Company's installation. This brings to at least seven the number of American-owned firms that have been damaged by terrorists since 1 September.

Meanwhile, the Communist Party (PCV) is planning an extensive sabotage campaign against US-owned oil installations in northeastern Venezuela, [REDACTED]

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The commitment of PCV forces to carry out activities that heretofore have generally been left to the FALN suggests that the Communists may have decided to pull out all the stops in pressing their pre-election terrorist campaign. [REDACTED]

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Brazil: (The political situation in Brazil remains tense and confused amid widespread reports of possible further antigovernment outbreaks.)

(Military units in the Sao Paulo area are on an alert status in anticipation of a threatened general strike by Communist-led labor unions. Adding to the tension are stories circulating in Brazil that the sergeants' uprising last week was actually part of a broader extremist-inspired effort that may be revived.)

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(The attitude of the army and War Minister Jair Ribeiro are considered the key factors in the situation. High-ranking officers in all services are disturbed by present conditions and reportedly are pressuring President Goulart to request congress to agree to a state of siege in order to restore stability.)

(Goulart's intentions remain unclear. According to the US chargé, the Brasilia uprising and the government's "coddling" of the leftist sergeants have "added to the precariousness of Goulart's authority.")

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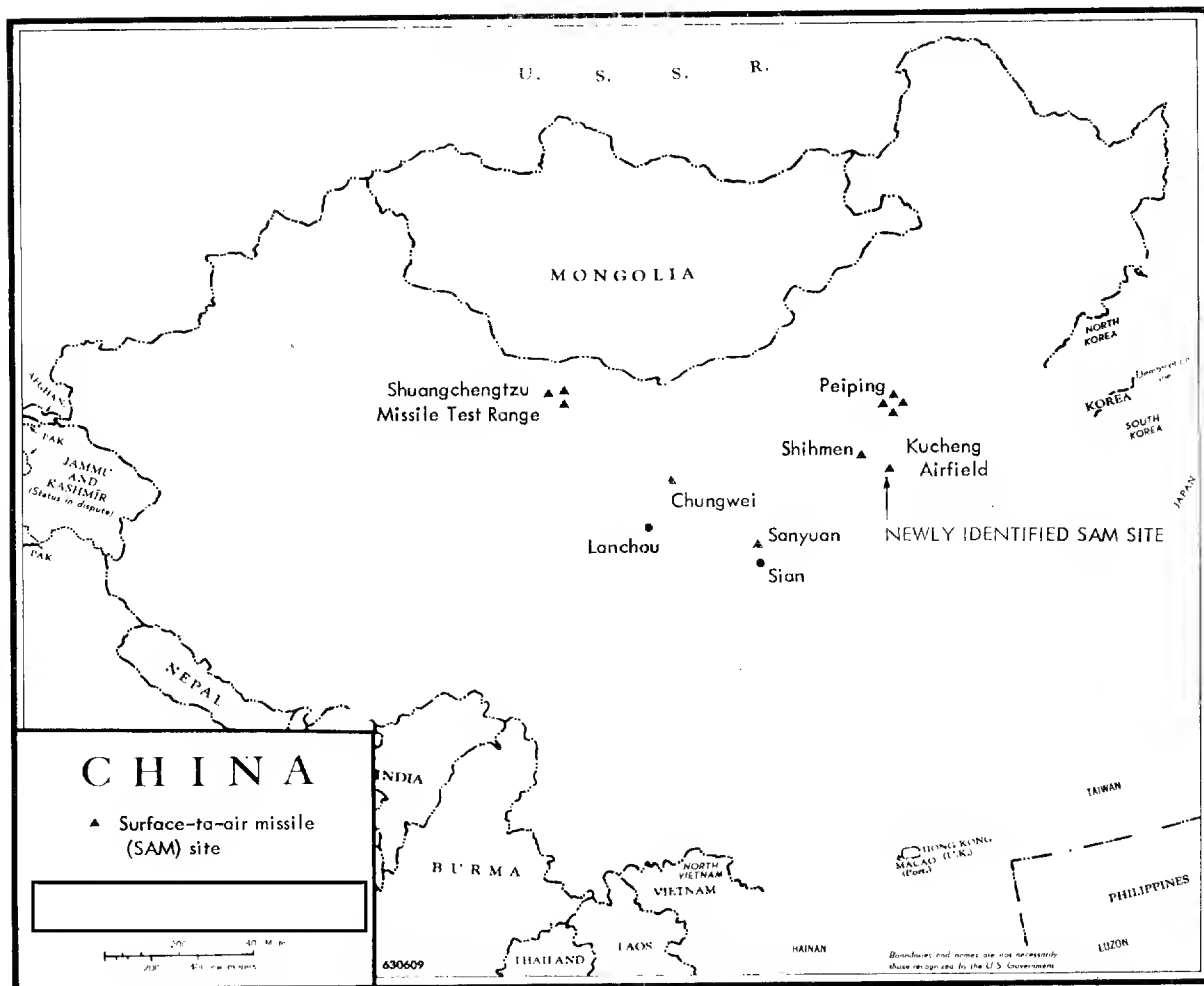
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NOTES

\*Pakistan - Communist China: Karachi and Peiping are publishing today a Pakistani note giving strong support for Communist China's proposal for a conference of heads of government on the prohibition of nuclear weapons. Pakistani officials state that Foreign Minister Bhutto told the Chinese of his government's stand in late August, but that publication was postponed in view of US Under Secretary Ball's mission to Pakistan in early September. Pakistan signed the test ban treaty on 14 August.

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Communist China: (A probable surface-to-air missile site with five launch positions [redacted] at Kucheng airfield, about 160 miles south of Peiping. This would bring the total number of known SAM sites in China to 11, not all of which are operational. Although it cannot be determined when these sites were constructed, at least two were under construction during 1962, long after the general withdrawal of Soviet assistance. [redacted])

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Finland: (President Kekkonen's public statement on 18 September favoring an all-party government, including the Communists, was intended to impress upon the non-Communist parties the need for an early end to the three-week-old cabinet crisis. Caretaker Prime Minister Karjalainen told the US ambassador that the proposal was a political maneuver which he clearly intimated would not be accepted. Once turned down, Kekkonen would be free to maneuver for a solution more to his liking, preferably the re-establishment of a majority government dominated by his Agrarian party.)

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USSR-US: (The USSR wants to buy as much as 10 to 11 million tons of wheat from Western sources, according to Soviet trade officials in Canada. Thus far the USSR has concluded contracts for 7.8 million tons from Canada and Australia. During the Canadian negotiations Soviet officials stated they planned to approach the US for the balance of their requirements not met by Canada and Australia.)

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